

Testimony of Michael R. Bloomberg
Mayor of the City of New York
Before the Subcommittee on Federalism and the Census
House Committee on Government Reform
July 25, 2005

Good morning Chairman Turner and Congresswoman Maloney. I would like to thank the Subcommittee for holding this hearing to allow New York City to tell our story of the successful use of the Community Development Block Grant program in our City. I am accompanied here today by NYC Housing Preservation and Development Commissioner Shaun Donovan and NYC Small Business Services Department Commissioner Rob Walsh. Welcome to Harlem, which is one of the many neighborhoods that benefits from the CDBG program.

I know that you all and particularly you Chairman Turner, as a former Mayor yourself, understand the importance of strong but flexible federal support for our cities. For the past 30 years, the CDBG program has proven to be one of the most effective programs administered by the Federal government. CDBG's hallmark is that it is highly targeted to those in need, but at the same time flexible enough to be used for a wide variety of activities.

Over the last three decades CDBG has played a central role in the City's remarkably successful efforts to revitalize deteriorated neighborhoods, preserve and improve affordable housing, and improve the quality of life for low- and moderate-income people. In the 1960s and 1970s, NYC's neighborhoods were devastated with the loss of hundreds of thousands of housing units to arson and abandonment. In a time when the City had little or none of its own resources to devote to housing, CDBG funds were used effectively to rehabilitate and preserve those privately owned buildings that were badly in need of repair.

The Housing Story

In the 1970's the City was faced with the massive abandonment of residential property. More critically, the loss of these residential buildings resulted in the decline of neighborhoods and threatened the stability of the City. We are all familiar with the pictures of Presidents Carter and Reagan standing on Charlotte St. in the South Bronx, not far from where we hold this hearing today.

New York City made a critical decision to save its neighborhoods. We had to engage in a massive program of stabilization and rebuilding. And we had to make New York City's communities an attractive place for neighborhood and business investment.

But we had no money to rehabilitate our housing stock. We had occupied buildings in extremely poor physical condition abandoned by private owners. The City had to step in. The first step was to preserve and maintain properties that had been abandoned and no longer had value on the open market. We needed to do that to halt the decline of our neighborhoods and to keep people in their communities so that there would be a base upon which reinvestment could commence.

New York City was emerging from a fiscal crisis and we had no access to the capital fund markets. CDBG was the only program that could fund the operation of these buildings. And so we put it to work in our neighborhoods, helping very low-income tenants of occupied buildings stay in their apartments. CDBG funds were vital to this effort by paying for preserving abandoned occupied properties when there were no funds for substantial rehabilitation.

By the early 1980's massive abandonment had stopped. But the City was now the owner of over 100,000 units of housing, both vacant and occupied, which were still unwanted by the private market. Our challenge was to transform the neighborhoods into vibrant livable communities.

By the mid 1980's New York City once again had access to the capital market. This funding availability allowed Mayor Koch to implement a 10-year plan for affordable housing. While CDBG funds continued to maintain the occupied buildings, we began to use City capital funds to commence the reconstruction of the City.

We started with the vacant buildings. More than 50,000 units of vacant housing were blighting our neighborhoods, making them unattractive to investment. With the addition of the Low Income Housing Tax Credit Program and the HOME program in the late 1980's, our rebuilding program moved into high gear.

Partners

We always knew that the City alone could not accomplish this rebuilding. So with a variety of for-profit and non-profit partners the City began the process of privatizing over 100,000 units of city-owned housing. Working together with large non-profit organizations like Phipps Housing, Catholic Charities, intermediaries such as the Local Initiatives Supportive Corporation (LISC) and the Enterprise Foundation and private lenders through the Community Preservation Corporation, the City created housing programs that could leverage our rebuilding funds and be attractive to the private sector. By giving the buildings to new owners along with loans for their rehabilitation and commitments to provide Section 8 vouchers to the tenants, we made it attractive for new owners to take the tremendous risks that were entailed in building in these devastated neighborhoods.

Homeowners

Many of those new owners were the former tenants of the City-owned buildings. Over 20,000 new homeowners were created in buildings that were turned into affordable co-op housing under the Tenant Interim Lease Program. As you'll hear from Andrew Reicher, CDBG helped to give those tenants the skills and knowledge to operate their buildings so they could become homeowners. These new homeowners were people who had stayed in the abandoned buildings that were run with CDBG funds. They would turn out to be the core of our new communities and it was CDBG that made that possible.

By the early 90's we had turned the corner on our abandoned buildings. Our neighborhoods were starting to come alive. As a result, those neighborhoods became attractive to many of our new immigrants. Our CDBG programs helped to provide the housing, and services that they needed.

Privatize

We strove to move even more of our abandoned housing into private hands. With programs like the Neighborhood Entrepreneur Program, we looked into our communities for small housing owners who were ready to step up to take over the City-owned housing in their communities. Once again, with low interest loans and Section 8 vouchers to protect low-income tenants from being displaced, these buildings were able to move into the private sector to help create healthy and vibrant neighborhoods.

Today we have reduced our stock of City-owned housing units from over 100,000 to fewer than 6,600. It has been a truly remarkable achievement. These buildings, virtually all of which were in dilapidated condition when they arrived in the City's hands, are now physically sound and economically viable.

But creating a healthy neighborhood that is attractive for investment is about more than the buildings being rebuilt. It's also about economic activity and services that give people a reason to live there. The CD program played an integral part in strengthening the public services and developing the economic opportunities that made it possible for ordinary people to live, work and play in our resurgent communities.

Services that the Neighborhood Needs

In recognition of these overall community needs, New York City's CDBG Program reflects the diverse eligible activities that make CDBG so valuable to cities.

In an effort to attract, retain and expand business and business opportunities and stimulate private investment, CDBG funds economic development programs such as Avenue NYC.

Commercial strips in low/mod areas are stabilized and revitalized through feasibility studies, marketing research, technical assistance and storefront renovation. These efforts are making a big impact in disadvantaged communities throughout the City.

Myrtle Avenue in the Fort Greene section of Brooklyn is another great example of the revitalization taking place in low/mod areas. The Myrtle Avenue Revitalization Project Local Development Corporation has used CD money to make strategic investments, turning around Myrtle Avenue—a once blighted area—into a thriving commercial area. In the last five years, more than 40 new businesses, many of them minority- and women-owned, have opened on Myrtle Avenue

To develop and assist small businesses, the Micro-Enterprise Program provides low- and moderate-income persons with business basics classes, assistance in obtaining state tax identification and provides enclosed markets to relocate street vendors. The goals are to provide entrepreneurs with the tools and skills that will enable their businesses to succeed, for them to properly pay all taxes, and to remove vendors from sidewalks where they are a hindrance to pedestrians. In the last three years, the program has assisted more than 8,000 entrepreneurs and small business owners to start or grow their companies—in 2004 alone, the program worked with nearly 3,000 persons. In particular, markets like Brooklyn's Flatbush-Caton market have provided a stable home for former street vendors, helping them establish and grow their small businesses.

Similarly, the NYC Business Solutions Centers provides new and existing businesses with quick and reliable information on business issues such as starting a business, working with government regulations, securing financing, hiring and training employees, finding real estate, obtaining minority women-owned business certifications. CD funded three staff members to focus on the work of the centers in Brooklyn and the Bronx. In 2004, the NYC Business Solutions Centers helped 2,284 businesses—more than half of them in the Bronx or Brooklyn. Businesses like Footwear and More, located nearby in

Hunts Point, have relied on professionals at the Business Solutions Center to prepare loan packages, which in the case of Footwear and More, recently resulted in securing a \$206,000 loan.

The Industrial Areas Improvement Program eliminates blighting conditions such as graffiti on industrial buildings via innovative paint-spraying trucks. Due to increasing efficiencies each year, the program has gone from painting over 5.9 million square feet of wall space in 2001 to over 15 million square feet of wall space in calendar year 2004. It also uses CDBG funds to remove abandoned vehicles, refuse, debris, rubble and weeds on and around roads and sidewalks within industrial parks and their immediate vicinity. In 2004, there were 11,640 yards of debris removed.

One of the consequences of the abandonment of housing, commercial and industrial buildings and general disinvestment in the 70's was the proliferation of vacant properties. In response, CDBG began to fund innovative programs which not only removed debris from vacant lots, but often greened them and established neighborhood gardens. City agencies coordinate this process, wherein the Department of Sanitation cleans a lot, the Parks Department plants grass or flower seed mixtures, and the Department of Citywide Administrative Services fences the lot. This process addresses health code violations, improves the image of the surrounding neighborhood, and makes the properties more presentable to the community and potential developers. The City's GreenThumb Program is a worldwide model for the creation of neighborhood gardens on formerly vacant lots. There are 495 community gardens in New York City, benefiting over 35,000 people.

To address the needs of at-risk youth and to maximize the use of a neighborhood resource, the Beacon Schools Program was created in 1991 to provide after-school education and recreation. In 1998, CDBG funds provided funding for 14 additional Beacon Schools in low/mod areas. Services include tutoring, homework assistance, literacy programming, arts and crafts courses and leadership development. The program served 20,886 people in 2004.

Studies show that teens who participate in organized recreational activities are less likely to drink alcohol, take drugs or get pregnant. The availability of recreation for youths has been found to lower crime rates. CDBG provides recreational services to persons in low- and moderate-income areas. Six local recreation centers provide services such as sports activities, fitness programs, after-school education, computer instruction, dance, cultural enrichment and crafts. The centers provide a comfortable and welcoming venue where children, young adults and seniors can get together and relax with their peers. Last year, more than one million people participated in these activities.

CDBG funds provide the elderly with services, which will preserve or improve their existing housing, health and social needs. Seniors are assisted in New York City Housing Authority projects under the Senior Resident Advisor and the Claremont Village Anti-Crime Programs. The programs offer crisis intervention, crime prevention education, assistance with benefits and entitlements, referral for transportation services, meals programs and home care. Over 4,500 senior tenants were served in 2004.

The Elderly Minor Home Repair Program provides for minor repairs to the homes of very low-income elderly. Although minor in nature, these repairs are beyond the ability of the elderly to complete themselves. The repairs help prevent major problems from developing which could be financially difficult for the elderly to carry out. In 2004, this program completed over 55,000 repairs in 3,000 homes.

CDBG funds support economic development efforts by providing day care services so low- and moderate-income parents, many of whom are single mothers, may return to work or school. In 2004, 5,103 children were provided with day care services.

Using CDBG funds outreach is provided to homeless, mentally ill and medically frail adults in and around the Staten Island Ferry Terminals. The John Heuss House, located in lower Manhattan, and Project Hospitality in Staten Island, operate drop-in centers, at which homeless individuals can receive treatment, be placed in a shelter program or

obtain referrals to the mental health system. At the drop-in centers, food, showers, shelter and counseling are provided, as well as referrals for housing, medical, drug and psychiatric treatment. Last year 2,046 people were assisted.

The Department of Homeless Services used CDBG funds to provide shelter and associated services such as meals, money management, consumer awareness, permanent housing assistance, transportation, educational planning and job skills to 203 families in 2004.

CDBG funds are used to meet the rehabilitation and preservation needs of neighborhood facilities, including senior and day care centers and homeless shelters. Over the last three years, renovation work was completed at 29 senior centers, 30 day care centers and 7 homeless shelters.

Measuring and Targeting CDBG

I know this sub-committee is concerned about measuring the effects of CDBG. You have certainly seen the measurable effects in Harlem. I believe that performance measurement is critical to the success of any program. However, performance measurement must be related to the goals of the program. It's not a simple problem by any means. Professor Ingrid Gould Ellen of NYU's Furman Real Estate Center has done studies of the effects of federal investment in New York City's housing programs. I am confident that a more effective performance measurement system will help to document the City's many CDBG accomplishments. I also hope that we can work with this subcommittee on using our experience and research to find effective ways to measure CDBG performance.

Another issue that has increasingly come up is "targeting" both in terms of ensuring that the communities with the greatest need receive their fair share of the funds, and ensuring that grantees continue to direct the bulk of the funds that they receive to those who need it most. As you have seen and will hear today, the City clearly has significant needs and has appropriately directed its CDBG funding to meet those needs. We are spending

almost all (93%) of our CDBG funds on low and moderate income people. Of course we welcome constructive efforts to improve overall targeting.

New Challenges

Today New York City faces new challenges in the development of its communities. To meet those challenges I have announced the New Marketplace Plan to build and preserve over 65,000 units of affordable housing.

Preserving housing is a key part of our goal. First we must keep our neighborhoods as attractive places to invest and we must protect the investment that the City and the Federal government have made. The lessons of the 1970's and 80's have taught us that we must be vigilant in maintaining and preserving New York City's aging affordable housing stock. We know all too well the cost to the City and the residents when neighborhoods decline and housing is abandoned. Truly the old adage that "an ounce of prevention is worth a pound of cure" is true.

To preserve affordable housing, we have developed a range of programs and tools that help to educate owners enforce code compliance and remediate sub-standard housing conditions. To that end we have used CDBG funds for our Neighborhood Preservation Program and a targeted and coordinated Code Enforcement program. CDBG funds are targeted to those neighborhoods which are predominantly low-income and which are the same neighborhoods that were rebuilt. We must insure that all building owners meet the basic standards of safety and upkeep so that those who have invested do not see their investments harmed by substandard or abandoned housing nearby. HPD's Division of Anti-Abandonment works with our Neighborhood Preservation Groups to identify problem buildings as early as possible.

Where appropriate, we work with owners to upgrade their buildings. If owners fail to meet basic standards we will utilize all of our legal authority to make sure that they comply. This helps to insure that our neighborhoods will never fall back to the state of devastation that we once saw.

Creating more affordable housing and rehabilitating existing housing is still an important goal for us. The New Marketplace Plan will continue to finish our work in the neighborhoods that are still in transition. As you saw in Harlem today, that work is not yet finished.

Closing

For the rest of the morning you will be hearing mostly from the City's partners presenting how they use CDBG and other federal funds in developing our neighborhoods and making them attractive and functional.

As you listen to them, I hope that you will hear the creativity and diversity that they have brought to this process. There are many things that need to be done to create and preserve communities. CDBG is a uniquely useful tool in achieving this difficult objective.

If CDBG is changed, it must maintain this unique ability to let states, cities and communities bring their tremendous creativity and entrepreneurship to bear to address these problems.

If there is anything in our experience, and I think there is, which the sub-committee finds relevant to the task of overseeing CDBG, we would be more than happy to work with you in any way that you find useful.

I thank you for your attention and would be glad to take any questions.